

Electric utilities confront, examine 'grand challenges' to industry

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Utilities and regulators have different approaches to addressing the three "grand challenges" — climate change, demand growth and energy security — facing the electric utility industry.

Defining and addressing the three challenges is the theme of the 2008 National Electricity Delivery Forum, being held Feb. 20 and 21 in Washington, D.C., in conjunction with the National Association of Regulatory Utility Commissioners' winter meeting. The U.S. Department of Energy is a co-sponsor of the forum.

FERC Chairman Joseph Kelliher, the first speaker of the opening keynote panel, said he does not see demand growth as being a separate issue, but rather considers it part of the energy security challenge.

Phil Sharp, a former member of Congress and president of the research group Resources for the Future, said that when discussing climate change and energy policy, "we are talking about the same thing."

Sharp and Eileen Claussen, president of the Pew Center on Global Climate Change, both noted that an April 2007 Supreme Court decision gives the federal government, through the Environmental Protection Agency, an opportunity to regulate greenhouse gas emissions under the Clean Air Act, though Claussen said she does not believe industry would favor this approach.

"There's a fundamental level of uncertainty that has a real cost," said PNM Resources Inc. CEO Jeff Sterba, who is also chair of the Edison Electric Institute.

What is emerging, both utilities and regulators said, is a short-term emphasis on energy efficiency and development of renewable energy resources, followed by a medium-term emphasis on gas-fired generation, which is relatively quick to build. The long-term solution for many utilities these days is new nuclear capacity.

"We want them to learn new ways to use electricity," Sacramento Municipal Utility District General Manager Jan Schori said, adding that the utility has budgeted \$34 million for its energy efficiency programs this year and \$40 million for 2009. "They want cleaner air, but they're reluctant to turn down their air conditioners in July, and they all love their flat screen TVs."

"The notion that the customer is going to lead the way on this is not accurate," Public Service Enterprise Group Inc. Chairman, President and CEO Ralph Izzo said. For more on this story, go to www.snl.com, subscription required.